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UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL ADJUSTMENT ADMINISTRATION

AAA

AGRICULTURAL STABILITY AND BUSINESS STABILITY

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We have been hearing a great deal lately about progress toward a balanced Government budget. I am convinced that over a period of years business stability has a close relation to such a balanced budget. Many business men share this feeling. But, important as it is, a balanced budget by itself does not completely guarantee stability of business. A balanced budget in the twenties did not prevent the excesses of 1928 and 1929, and the collapse which followed in the thirties.

The trouble then was that even though the Government budget was balanced, the *national* budget was unbalanced in other respects. Farm purchasing power, instead of being based on a sound and continuing demand, was based in large part on unsound foreign loans. When these loans turned out to be bad, the American holders of foreign bonds and the American farmers were both left holding the bag. It was impossible to keep the Government budget balanced when the budgets of individuals and corporations were far askew.

In order to achieve and maintain such a balance, it is vitally necessary to keep individual budgets in good working order. This means that farmers' and workers' incomes must be maintained and increased, and business recovery must be continued.

FARM INCOME SHOULD KEEP STEP WITH NATIONAL INCOME

Agricultural prices and nonagricultural prices, while of course not static, should be kept in a fairly well-balanced relation to each other. To keep these prices in a stable and balanced relation, supplies of farm commodities must be stabilized at a level that assures plenty for domestic consumption and foreign markets, while nonfarm commodities must be produced in abundant quantities and sold at prices that are as low as productive efficiency and the paying of reasonable wages will permit.

Congress has laid down the principle that net income per person on farms should bear the same relation to the per capita income of people not on farms that existed in the 5 years before the World War. Therefore, not only should farm income be restored to a full parity with nonfarm income, but as recovery continues and national income increases, farm income should increase in step with national income.

Two things are vital to any long-time national farm program: First, to prevent a boom like that of 1928 and 1929 and, second, to

provide shock absorbers so that when there is a recession in business it can be held within bounds.

The purposes of such a long-time program were defined by President Roosevelt a year ago. When he signed the Soil Conservation and Domestic Allotment Act the President said: "The new law has three major objectives which are inseparably and of necessity linked with the national welfare. The first of these aims is conservation of the soil itself through wise and proper land use. The second purpose is the reestablishment and maintenance of farm income at fair levels so that the great gains made by agriculture in the past 3 years can be preserved and national recovery can continue. The third major objective is the protection of consumers by assuring adequate supplies of food and fiber now and in the future."

From surveys made by specialists of the various State colleges and by farmers in more than 2,400 counties, it appears that the acreage of soil-depleting crops should be maintained at a level 20 to 30 million acres under what would be expected if the conservation and adjustment program were not in effect.

Likewise, reestablishment and maintenance of farm income depend to a considerable degree on preserving a proper balance between intensively grown soil-depleting crops, which happen to include the cash crops such as corn and wheat and cotton most likely to be produced in excess of market demands on one hand, and on the other hand the less intensively grown soil-conserving crops such as grasses and legumes which do not immediately contribute to unsalable or price-depressing surpluses.

The third objective named by President Roosevelt—protection of consumers through the assurance of adequate supplies of food and fiber—also depends upon maintaining such a balance.

In the 1934 drought, feed shortage forced distress marketing of livestock and caused meat shortage and high retail prices. In 1936 better balanced production afforded more adequate feed supplies, so that meat supplies and prices were affected less drastically than they had been after 1934.

COMPETITIVE FACTORS FORCE FARMERS TO EXPLOIT SOIL

Competitive factors are such that farmers can not afford to shift part of their land into soil-conserving crops from soil-depleting crops without Government aid.

One reason for this is that the farmer's interests as an individual may not at all times appear to coincide with the interests of farmers as a group or with those of the Nation as a whole. From a short-time standpoint, it may appear profitable for a farmer to mine his soil by growing a maximum of soil-depleting cash crops. From the short-time view, it may seem to pay him to skim off the fertile top soil, just as it seems to pay lumbermen to cut off the virgin forests at one sweep. From the short-time view, it may pay to disregard the erosion losses to which he is exposing the soil. The cost of all this exploitation to the Nation may be enormous—but for the individual farmer it may merely mean quick returns, and a speedy move to another farm.

Over a period of years the farmer will find it advantageous to maintain the fertility of his farm. However, with his neighbors selling soil fertility cheap, he has to respond to the forces of competition. Economic necessity often compels him to get as much cash as

he can from the current year's crops, without regard to what may happen in the future.

For these reasons, Government aid to make up for the farmer's immediate cash sacrifice is essential if the farmer is to participate in the conservation program.

Preliminary reports indicate that under the 1936 program approximately 3 million applications for grants, representing perhaps 4 million farmers, were filed. These include more than 1,200,000 in the 10 States of the North Central Region, which roughly approximates the Corn Belt, and nearly 900,000 in the South. Cropland on the farms on which applications were filed, totals nearly 284 million acres. This is 67 percent of all the cropland in the United States. The reports indicate that about 31 million acres of land were diverted from soil-depleting crops.

We know that we cannot control the weather. In the past, bumper crops have often alternated with crop failures. Sometimes there have been a whole series of bumper crops, and again a whole series of crop failures. Instead of letting the farmers' business and the Nation's business be subject to such extreme ups and downs, it seems common sense to store some of the bumper crops for use in the years of short crops. That is the principle of the ever-normal granary plan, which Secretary Wallace long has advocated and which representatives of the leading farm groups in the United States have indorsed.

Two possible ways of establishing an ever-normal granary are through the use of crop insurance and through commodity loans. However, since it appears that for some time to come crop insurance by itself will not be sufficiently widespread to assure an ever-normal granary, a system of commodity loans probably will be needed to put the plan into effect.

LOANS COULD ASSURE RESERVES, MAINTAIN PRICE LEVELS

Under the plans now taking shape loans on staple farm commodities such as corn and wheat would be offered at an established level. These loans would assure the accumulation of reserve supplies of these commodities. They would also establish a level below which the prices received by farmers would not ordinarily go.

But, in order to make sure that farmers and the entire Nation would not suffer from a repetition of what happened under the Federal Farm Board, some provision would have to be made for appropriate action when the granary begins to run over. It would be neither fair nor wise to make the farmers the victims of a policy carried on in the Nation's interest. Also, a policy that would be financially sound, from the standpoint of the United States Treasury, would call for safeguards against price collapse so that the Government would not lose heavily on commodity loans in case prices should decline after the loans were made. Under such circumstances, then, provision should be made for storing fertility in the soil to supplement storage of grain in the bin.

A third step that has been proposed to meet such an overflow situation is the modification of the conservation program to provide much more definitely than it does now for influencing the acreage of certain crops. The conservation aspects of the program would not need to be weakened at all, but grants or contracts offered by the Government might be made contingent upon the adjustment of acreage of specific crops as well as upon the adoption of conservation practices.

A combination of the conservation, commodity loan, and storage-in-the-soil programs likely would suffice to take care of all ordinary situations arising. But if favorable weather should bring a series of bumper-crop years, surpluses might accumulate in such quantity that all these measures put together would not keep farmers' prices from collapsing.

To meet that kind of emergency, there should be provision for a fourth type of program giving positive commodity control. There should be provision for invoking appropriate control measures without too long delay, when and if such situations arise. Of course there should also be provision for suspending these measures as soon as the need for them has passed.

The application of the national farm program likely would have to be varied to fit the various commodities. The four steps outlined would not necessarily be taken for each commodity in the order I have given them. In cotton, for example, the loan program might be the final step rather than the second one—otherwise cotton might be prevented from flowing freely into export trade.

The best guarantee of national stability is the erection of safeguards against another boom and bust. In other words, if business wants to keep the country conservative, the best way to do it is to help set up machinery that will keep the mass of the people contented and happy.

AGRICULTURE NEEDS TEAM WORK WITH LABOR AND BUSINESS

Good bookkeeping in national fiscal affairs is very important. But let us not forget that it is through the balancing of individual budgets—the budgets of business men, of farmers, and of workers—that a balance in the national budget is made possible. Let us not forget that it is national stability that will keep the budget balanced.

The lesson learned from the depression is that abandoning any effort toward a permanent program for agriculture would mean a new train of difficulties—extremes of supply and of price, class bitterness in time of collapse, loss to business in farm areas, and finally to business throughout the Nation.

It would appear that the time is ripe for more general use of the cooperative idea in agriculture, as well as in labor and business. Since 1932, agriculture has had experience with the benefits that come to farmers from pooling their energies in cooperative programs to combat price collapse, to fight drought, and to conserve soil fertility. Isn't it sensible to have systematic programs to head off emergencies? Where is the virtue in allowing cutthroat competition to bring about vast wastage of soil? Where is the wisdom in inviting price collapse by such lack of policy in production?

History will probably note that our lack of a farm policy prior to 1932, our blind reliance upon sheer competition to solve all problems, and our wasteful exploitation of precious resources, were the gravest defects in twentieth century civilization.

It is my hope that in the coming years we can remedy those defects. This will require team play among the different elements of society. It will require the tolerant cooperation of business and labor with agriculture. But in return for such cooperation, business and labor are sure to share in the benefits of a long-time farm policy that will moderate extreme swings of price, protect farm income, and safeguard the future food supply by protecting the soil resources of the Nation.